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THE CENTRAL ASIA-CAUCASUS ANALYST

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KEY ISSUE: A short 75-word statement of your conclusions about the issue or news event on which the article focuses.

BACKGROUND: 300-450 words of analysis about what has led up to the event or issue and why this issue is critical to the region. Include background information about the views and experiences of the local population.

IMPLICATIONS: 300-450 words of analysis of the ramifications of this event or issue, including where applicable, implications for the local people's future.

CONCLUSIONS: 100-200 words that strongly state your conclusions about the impact of the event or issue.

Field Reports focus on a particular news event and what local people think about the event. Field Reports address the implications the event or activity analyzed for peoples' lives and their communities. Field Reports do not have the rigid structure of Analytical Articles, and are shorter in length, averaging ca. 700-800 words.

Those interested in joining *The Analyst's* pool of authors to contribute articles, field reports, or contacts of potential writers, please send your CV to: <scornell@jhu.edu> and suggest some topics on which you would like to write.

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AWOL: U.S. POLICY IN CENTRAL ASIA

Stephen Blank

The U.S. has decided to give up the base at Manas, presumably because that base is not worth retaining once it leaves Afghanistan next year, and will relocate the base to Romania. Washington is instead moving most of its logistics through Pakistan, with a corresponding decline in the use of the Northern Distribution Network. Once U.S. forces leave Afghanistan there will be no military presence in Central Asia to speak of. Second, the TAPI gas pipeline from Turkmenistan through Afghanistan and Pakistan, nominally the centerpiece of America's New Silk Road initiative, languishes for lack of any financing.

BACKGROUND: The concurrence of these trends is not a coincidence; they reflect the fact that the U.S. has essentially abandoned the task of formulating, let alone executing, a coherent Central Asian policy. The U.S. New Silk Road initiative remains merely a bureaucratic contrivance that the State Department, which strongly opposed the concept of the Northern Distribution Network, put together when it lost that battle. It took 40 existing projects and repackaged them in a standard bureaucratic maneuver. But funding and vision that could use America's convening power to help form various consortia of investors for these or projects remain absent. When the Senate Foreign Relations Committee under then Senator Kerry published a study of the Silk Road, no comment was heard from the State Department or the Administration.

In contrast to both Russia and China, no senior U.S. policymaker has during President Obama's second term even mentioned Central Asia, let alone traveled there to engage local governments on issues of mutual concern. This absence of high-level activity speaks volumes about the importance assigned to Central Asia

and the Caucasus. Indeed, according to U.S. analysts, Uzbekistan's President Islam Karimov, who had steadily sought to collaborate with the U.S., reportedly laughs whenever somebody brings up the topic of the U.S. New Silk Road. But we can be sure he is not laughing about China's "Silk Road Economic Belt", in which he eagerly seeks participation and, perhaps more importantly, he signed a strategic partnership agreement with China. Similarly nobody in the U.S. government, apart from Secretary of State Clinton in 2011-12, has said a word about Putin's Eurasian Union that will diminish the economic independence and/or growth potential of Central Asian states.

While we do, from time to time, proclaim that these governments are anti-democratic or engage in such behavior, we have otherwise made it clear that we are not very interested in their affairs. Since we will not engage them on issues of consequence to them, they will return the favor. It must be emphasized in this context that the problem is not merely a lack of funding though that certainly will constrain policy towards Central Asia, as it already has in Afghanistan.



Rather, the real problem is that there is no vision, no concept, nor any leadership coming out of the executive branch to imply that U.S. involvement in Central Asia or the Caucasus are important U.S. interests. Such involvement should not primarily constitute a military presence or policy, quite the opposite. However, if nobody will make the case for a U.S. presence or the region's importance, Congress in its present composition will hardly rush to fill that breach.

IMPLICATIONS: There is little doubt that governments in the Caucasus and Central Asia would welcome a sustained U.S. engagement even if there are serious issues where we disagree, not least over democracy. But we could at least take their concerns seriously. Given the lack of any evidence of such concern it is hardly surprising that other actors with objectives inimical to our interests are filling that vacuum while partners like India are losing in this competition. Indeed, it is not commonly realized that it was the sustained U.S. involvement here plus our effort to tie Central Asia more closely to India that made it possible and desirable for India to expand its presence in Afghanistan and Central Asia. As the U.S. leaves, that presence becomes

vulnerable to terrorists, Pakistani obstruction (both of which are often part of Pakistani policy), or to the superior economic and other forms of Chinese power. Thus, as one recent account puts it, China is implementing its version of a Marshall Plan for Central Asia and genuinely building the Silk Road but tying it to Chinese dominance and the creation of a Renminbi bloc and what could well be considered as an overall China “co-Prosperty Sphere” (see the [10/16/2013 issue of the CACI Analyst](#)).

For its part, Russia is stepping up its political and military involvement in the area, building more military bases in Tajikistan and Kyrgyzstan, and seeking to expand the missions of the Collective Security Treaty Organization (CSTO) and its capacity to perform those missions. At the same time it is bringing enormous pressure to bear upon Central Asian states to join the Eurasian Union despite Kazakhstan's growing misgivings and the fact that it may actually have a negative impact upon Kyrgyzstan and Tajikistan, let alone Ukraine. Russia also continues to expand its political operations in these countries, e.g. making Tajikistan give it a base in return for supporting President Rahmonov in his re-election campaign. These manifestations of Russian and Chinese policy, along with China's visible ability to freeze India out of competition for major investment and energy opportunities in Central Asia, represent the fulfillment of the old axiom that nature abhors a vacuum. These states, pursuing objectives that are not only anti-American but in

many cases also aim at the diminution of Central Asian states' independence, sovereignty, and in China's case, even territorial integrity, are filling the vacuum we are leaving behind.

Yet nobody in policymaking positions in Washington seems to notice or care. This neglect can only have malign consequences. Indeed, in Central Asia as in many other venues, there can be no such thing as benign neglect given the real threats to security that abound in Central Asia and other regions. The U.S. withdrawal, retreat, or simply renunciation of interest in Central Asia and other areas will almost certainly lead to heightened international rivalries among U.S. competitors like Russia and China for influence and the creation of regional spheres of influence and will also probably lead to more conflicts within or even between or among these states.

We are already seeing the consequences of this U.S. renunciation of interest throughout Central Asia. For example, in the recent Indo-Russian summit, India agreed to discuss with Russia the creation of a pipeline route from Russia to India. The scale of such an endeavor is mind-boggling and the fact that India even agreed to consider it reflects its growing anxiety about its energy supply and increasingly clear apprehension concerning the TAPI pipeline.

A similar perception emerged out of this summit with regard to both sides' shared views about Afghanistan. As the U.S. and NATO leave, India inevitably becomes more exposed to threats in Afghanistan. Therefore it must look to Russia for cooperation against Pakistan

and terrorists like the Taliban. Formally touched off in September, China's Silk Road initiative represents another such reaction to the U.S. withdrawal, which Beijing sees as an opportunity as well as a threat from Islamic insurgencies. Moscow's recent initiatives can be similarly categorized.

CONCLUSIONS: Unfortunately these initiatives return Central Asia to the era when the great powers saw it as an object of their designs rather than as an area of fully sovereign states able and willing to be subjects of world politics in their own right. Clearly neither China, which has abridged the territorial sovereignty and integrity of many of these states, nor Russia whose contempt for their sovereignty is a matter of record, can be counted on to preserve the real gains of 1991 and after. Moreover, Kyrgyzstan and Tajikistan are already highly vulnerable states while the prospects for internal stability in the other three states are doubtful as they will inevitably experience succession struggles.

These vulnerabilities are amplified by the potential threat from Afghanistan either through direct support for Islamic insurgency and terror or by the example of such forces "liberating" Afghanistan and thus threatening their neighbors. In addition, Indo-Pakistani enmity has spilled over to Afghanistan and into the diplomacy of Central Asia. Therefore it is worth asking exactly what U.S. interest is served by this precipitous disregard for Central Asia, especially as it is clear that events and trends in the region have potentially serious repercussions for the U.S. itself.

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NATO IN AFGHANISTAN – PARALYSIS AS POLICY?

Richard Weitz

NATO's inability to commit to a definite role in Afghanistan beyond 2014, along with perceived strategic setbacks in Central Asia and the South Caucasus, are reinforcing the narrative promoted by the Taliban, al-Qaeda, Iran, and to a lesser extent Russia and China, that a war-weary West is abandoning Eurasia. Urgent measures are needed during the next months to reverse this perception before it gains irreversible momentum. The perception is already leading regional players to hedge against the expected consequences of a diminished NATO role. NATO needs to reaffirm and clarify its commitment to Afghanistan and Eurasia.

BACKGROUND: The October 22-23 NATO defense ministers' meetings in Brussels failed to make much progress in clarifying how the alliance will avert defeat in what has become the most important military campaign in its history. After discussing the mission among themselves, the allies held a special session with the partner countries contributing troops to the NATO-led International Security Assistance Force (ISAF) in Afghanistan. But the meeting could not commit the alliance to a strategy after the ISAF mission ends next year. Instead, they adopted a strategic planning assessment outlining command, control, and capabilities they might need for a future campaign, without specifying troop numbers. Only the German government has committed a large troop total of some 600-800 soldiers, but Berlin's influence in NATO is constrained due to its protracted formation of a new coalition government.

The Afghanistan stalemate was perhaps unavoidable, since NATO is awaiting conclusion of the negotiations surrounding the Afghanistan-U.S.

Bilateral Security Agreement (BSA) before finalizing its own post-2014 role and force commitment in Afghanistan. According to press reports, Secretary of State John Kerry and Afghanistan President Hamid Karzai resolved many disagreements during Kerry's surprise visit to Kabul earlier this month. The remaining sticking points appear to be the freedom of U.S. forces in Afghanistan to execute counterterrorism operations without advance Kabul's approval, and Washington's refusal to make an explicit commitment to fight for Kabul in any conflict with Pakistan. As in many alliances, the external guarantor fears entrapment in a conflict that does not serve its interests, while the local partner fears strategic abandonment in the face of its most serious security concerns. If these issues can be finessed, then the Afghanistan Parliament can ratify the pact with the United States and NATO can negotiate its own Status of Forces Agreement with Afghanistan.

Although the publicly released numbers of possible U.S. troops in Afghanistan continue to fall, and their perceived role



is shifting from embedded mentoring of Afghan units to supervising disbursement of Western military assistance, concluding the BSA is important due to its multiplier effect. If U.S. forces remain in Afghanistan, other countries and NGOs will keep their personnel there; without a BSA or U.S. troop presence, Western forces and NGOs will likely join the rush out of Kabul, even as they finally seem to be making critical progress on key metrics. The United States and NATO must make their post-2014 force commitments to Afghanistan well before next year's alliance summit in London to avert the latter self-destructive dynamic.

IMPLICATIONS: The issue of NATO's staying power in Afghanistan has gained growing importance due to its likely impact (reinforcing or negating) on the growing perception that the West is getting out of the Eurasian security business.

Earlier this month, the Pentagon announced that by next July, all U.S. troops will leave Manas air base in Kyrgyzstan. The base, situated on the outskirts of Bishkek, has served as the most important transit center for NATO troops entering and leaving Afghanistan by air. Now Mihail Kogalniceanu (MK) air base in Romania will take over that role. The decision makes sense on logistical

grounds. MK is three times farther from Afghanistan than Manas, but is located on the coast of the Black Sea and has superior connections to Eurasian air, rail and sea transport. However, Romania is already a loyal NATO member; earlier this week saw the groundbreaking on a new NATO missile defense base in that country. What MK lacks is any visibility in Central Asia.

In contrast, the Russian military recently announced it would double the size of its combat aviation contingent in Kyrgyzstan, reinforcing the sense of Western retreat and abandonment in Central Asia. Since Kyrgyzstan's parliament again voted to end the U.S. lease this July, Russia has accelerated delivery of a US\$ 1.1 billion arms package and written off much of Kyrgyzstan's debt. Although many would welcome a renewed Russian commitment to Kyrgyzstan's security as a means to buttress one of Eurasia's weakest countries against a potential Islamist onslaught after NATO's pullback, the simultaneous U.S. decision to end its bidding war with Moscow and vacate Manas and the Russian decision to enhance its regional military presence will reinforce the perception left by the Afghanistan and Iraq wars that the United States, and by extension NATO, will wield reduced military power in Eurasia.

The Central Asian countries have been good partners of the NATO mission in Afghanistan, and for good reason; Tajikistan, Turkmenistan, and Uzbekistan border Afghanistan, while Kyrgyzstan and Kazakhstan are located nearby. Their governments share

concerns that renewed Taliban control over parts of Afghanistan would fuel regional Islamist militancy. Muslim extremist organizations linked to the Taliban and al-Qaeda have targeted all Central Asian regimes. To varying degrees, all Central Asian governments would like NATO to retain some military presence to dilute the prospects of a Russian-Chinese condominium, or conflict, which could grow in a regional security vacuum. While the West may be unable to project sufficient power to balance the two regional hegemonies, a NATO presence buffers the destabilizing prospects of Moscow and Beijing trying to establish a new post-2014 security regime for Central Asia by themselves. It is not hard to imagine the two great powers making resource deals at Central Asians' expense or Russia and China clashing over competing energy assets or backing different armed proxies in Afghanistan. In the South Caucasus, NATO and the EU are seen as helping prevent Russian-Iranian cooperation at the expense of the other Caspian countries. In addition, Georgia perceives NATO as a vital partner against renewed Russian aggression, while Azerbaijan worries about being left to sue for peace with Moscow, Tehran, or both. Armenia also favors a strong U.S. role in the region to enhance Yerevan's bargaining leverage with Moscow and Tehran.

In addition to Moscow's de facto annexation of Georgian territories and pressure on Azerbaijan to constrain its security ties with the West, Russia compelled Armenia to abandon years of negotiations on an Association

Agreement with the EU to instead join the Moscow-led Eurasian Union. At the same time, through its ineffective tactics in Chechnya and the North Caucasus, the Russian government has transformed a struggle for national self-determination into a region-wide jihad that could present a variety of security challenges to neighboring states.

Iran is no stranger to the Caucasus, which at various times was under the control of the Persian Empire and the subsequent Iranian state. Like Moscow, Tehran would exploit any security vacuum created by a Western withdrawal from the region. Iran could very well punish each state in various ways for their past enforcement of Western sanctions against Tehran. However, Azerbaijan's secular domestic policies and demographic connections with Iran increase Baku's vulnerability.

CONCLUSIONS: It is essential to counter the abandonment narrative in Eurasia, because current perceptions are already leading regional players to hedge against the expected consequences of a diminished NATO role. The weaker Central Asian states are pondering whether to align with Russia, China or both, or conversely, induce them to compete for their affection. Whatever the outcome of the current nuclear negotiations, Iranians foresee a relaxation of regional sanctions enforcement and the potential for a new eastern orientation. Local democrats and Western sympathizers are losing influence to regional actors more hostile to Western values. NATO needs to reaffirm and clarify its commitment to Afghanistan's post-2014

security while working with the EU to complement the Union's economically oriented policies in the South Caucasus with a security dimension.

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KYRGYZSTAN'S PARLIAMNENT PUSHES GOVERNMENT FOR MORE SHARES IN KUMTOR MINE

Jamil Payaz

On October 25, 2013, the Prosecutor General's Office pressed charges against the former Ministers of Ecology and Finance and a former Vice Prime Minister, who is now a parliamentarian, accusing them of corruption when signing the Kumtor agreement in 2003. As the parliament has rejected the tentative deal envisaging a 50-50 joint venture, uncompromisingly demanding at least a 67 percent stake in the Kumtor gold mine, the country's largest foreign currency earner, the Prosecutor General is working hard to substantiate the parliament's claims that major restructuring deals with TSX-listed Centerra was soaked with corruption.

BACKGROUND: On October 23, the parliament virtually unanimously rejected the non-binding Memorandum that the Kyrgyz government and Centerra reached over a month ago. Prime Minister Satybaldiev, backed by President Atambayev, failed to convince the parliament that 50 percent was the maximum that his Cabinet managed to raise the country's shares to after the almost nine-month-long negotiations with Centerra. Moreover, the parliament recommended that the government denounce the operating agreement signed with Centerra in 2009 and 2003, if a "mutually acceptable" solution is not found by December 23, 2013. Although Prime Minister Satybaldiev has expressed doubts that further negotiations will yield any better results, some parliamentarians are certain that a favorable condition has been set to negotiate terms with Centerra that will better serve the country's interests.

"Of course, [Centerra] will try to turn to an international court. But it will not be able to go too far. Whatever the outcome is, the gold is ours, and the

truth is on our side," Omurbek Tekebayev, one of the ardent opponents of the current agreement and the leader of one of the coalition factions, Ata Meken, said in a recent interview. Centerra will have to comply with the government's demands, and in the event of denunciation, the government must run the mine itself, he stressed. As a vociferous opponent of the previous two regimes, Tekebayev believes that their rule was so corrupt that the Canadian companies could not have achieved such gains without corrupt schemes.

However, Ian Atkinson, President of Centerra, who arrived in Bishkek on the eve of the voting in parliament, termed all the allegations of corruption speculations, underscoring that so far no documents showing corruption have been provided to courts. He also made it clear that he will have to defend the company's shareholders by appealing to an arbitration court if the current agreement is denounced. Atkinson stressed that it is impossible for Centerra to have less than 50 percent in the new venture, pointing out special



requirements and legal norms pertaining to international corporations listed in stock markets. Whatever a new arrangement contains, it also has to be approved by shareholders and a Canadian court, he said.

In February, 2013, the parliament issued a decision instructing the Prosecutor General's Office to launch investigations into, among other things, corruption allegations related to the agreements, especially the one signed in 2003. To date, twelve criminal cases have been launched, with charges being pressed against three experts of the government, two former ministers and deputies, a parliamentarian, as well as former President Askar Akayev's son Aidar, and then-Prime Minister Nikolay Tanayev. The latter two fled to Russia after the popular uprising in March 2005.

According to the 2003 agreement, Comeco and Kyrgyzaltyn, the state gold agency, joined into Centerra. The Kyrgyz side received 30 percent in Centerra in exchange for 66 percent in Comeco, while the former agreed to pay taxes, share dividends from other developing gold mines in Mongolia and the U.S., and allow Kyrgyzaltyn to sell its share in stock markets. Notably, the deal was sealed without the required approval of the parliament. Shortly

after the signing, the government sold about 17 percent of its share for US\$ 86 million, as became known, to invest in social projects such as poverty reduction. Satybaldiev admitted that a stumbling block in the recent negotiations was that in 2003 Centerra became a legal owner of the Kumtor project and was registered in Canada.

IMPLICATIONS: It remains to be seen whether the Prosecutor General's Office will find solid evidence of corruption. Currently, the prosecutors are making an extra effort to submit their findings to a local court to meet the legal deadline by the end of this year, since local laws set out an expiration period of ten years for corruption cases. Moreover, Prosecutor General Aida Salyanova admitted that her office lost all the archives and existing criminal cases after their building burned down during the violent anti-Bakiev protests in April 2010.

Also, the Prime Minister complained to the parliamentarians that no transcripts from previous negotiations have been found, something that, he said, put them in a disadvantageous position before the Canadians. These circumstances imply that the Prosecutor General will have to rely almost exclusively on testimony of the former officials. The limited time allocated for the investigations, which coincides with the December 23 deadline set by the parliament for the government, will only handicap the government to thoroughly substantiate allegations of corruption. Thus, there is a very high risk that the criminal cases will be widely perceived as political

persecution and exploited by the opposition in the current fragile political situation.

Experts say the parliament has driven itself into a corner by rejecting the 50 percent arrangement with Centerra. A parliamentary journalist, Elvira Temir, believes that the parliament is reluctant to take responsibility for the mine's future, since it found the preliminary deal unacceptable but failed to dissolve the government that expects no gains from further negotiations with Centerra. Indeed, the heated discussions of the deal in the parliament the first time, on October 10, abounded with populist statements but resulted in no concrete recommendations, with the parliament postponing the issue for two weeks. Some parliamentarians were reported as saying that they had to eventually turn down the new deal, even though they know Satybaldiev will fall short of realizing their demands.

It is worth mentioning that, despite President Atambayev's strong support for the current deal, even his Social Democratic Party (SDPK) voted against it, with only some abstaining from voting. In fact, SDPK faction leader Chynybai Tursunbekov openly admitted that his 26-member faction had to support the "populist decision" of the other parliamentarians because they fear being labeled "traitors," a tag the Prime Minister is still to repulse over the course of the parliamentary debates. The parliamentarians turned especially sensitive after their vote was announced to become public, something President Atambayev insisted on to make the voting transparent.

So far President Atambayev has showed a strong support for the government, accusing the parliament of turning the issue into a campaign for the next parliamentary elections scheduled for 2015. Echoing the Prime Minister's words, he repeatedly underscored that the Memorandum represents a compromise between Centerra and the Kyrgyz side. He stressed that Kyrgyzstan will still have to buy four percent to make it 50 and that additional shares can only be bought. "Centerra has one thousand shareholders who bought shares at a stock market. There is no Comeco to take the shares from... Comeco sold its shares and ran away," Atambayev said in response to the parliament.

Nevertheless, denunciation of the mine contract might well be hindered owing to fears of clearly unpopular repercussions, including protracted and expensive international arbitration and stoppage of production, which is detrimental for the country's budget with a US\$ 340 million deficit and three thousand locals employed by Centerra. Over 10 percent of Kyrgyzstan's GDP comes from the mine, equaling approximately half of the country's industrial output. Nevertheless, experts expect that the Prime Minister will in December return to the parliament with the same deal, but with minor changes. Until then the arrests of former officials are likely to continue, but many doubt they will produce solid evidence of corruption.

CONCLUSIONS: The parliament's inflexible stance on the mine makes many wonder whether President Atambayev will be forced to dissolve it

to secure revenues from the mine to the money-strapped budget. The Kumtor issue has the potential to cause a major political crisis in Kyrgyzstan, with the parliament unable to conduct a pragmatic discussion based on legal aspects and economic figures. The criminal cases launched might easily get politicized if they are not properly conducted. Importantly, the openness that the government seeks to show in the overall process marks a new development in Kyrgyzstan's political

environment, and it should serve as an opportunity for Centerra to better explain its position to the public and take steps to improve its tarnished image.

AUTHOR'S BIO: Jamil Payaz is a Bishkek-based freelance journalist who specializes in economic, political, and security issues in Kyrgyzstan.

IGNORING ALL THE PROBLEMS INVOLVED, KADYROV'S CHECHNYA BETS ON TOURISM

Tomas Šmíd

Chechnya's economy has been struggling with long-term problems, which have had a significant and visible impact on standards of living in the republic. Post-war reconstruction of the economy is far from accomplished and development is still hindered by an enormous level of unemployment. This provides a ground for both emigration and open sympathies with the opposition, which is currently represented by the radical Islamist wing alone. The Chechen government itself endeavors to spur some sectors of the economy, e.g. the tourist industry; however any major progress can hardly be expected without the implementation of significant political-economic reforms, and above all, an improvement of civic freedoms.

BACKGROUND: According to representatives of Kadyrov's regime, tourism should play a more significant part in the Chechen Republic's economic structure. Due to the Winter Olympic Games in Sochi, huge amounts of money are being invested to encourage the development of tourist infrastructure in the Northern Caucasus. A company named Kurorty Severnogo Kavkaza (KSK) plays a central part in this effort. Sergey Vereshchagin, who is closely associated with Alexander Khloponin, the presidential representative for the North Caucasian Federal District, took over as the head of KSK after the dismissal of Akhmed Bilalov.

Outside of Chechnya, this state-controlled enterprise is involved in other republics, including Adygea, Northern Ossetia, Kabardino-Balkaria, Dagestan and Ingushetia. In fact, Chechnya has long avoided using this company for building holiday resorts in the republic. However, in spring 2013, Kadyrov's people set up a meeting with KSK to negotiate merging Chechnya's

holiday resort projects with the KSK holiday resort network. Though both parties expressed their willingness to merge, Kadyrov's financial and economic interests proved to be of greater importance.

The leading project in Chechnya is the construction of an all-season ski resort called Veduchi, in the Itum-Kale district. In cooperation with Vnesheconombank, the Chechen multi-millionaire Ruslan Baysarov finances the whole project. More holiday resorts, all backed by Kadyrov, are being built around Kazenoy Am (Blue Lake). Kadyrov is also promoting the construction of a huge reservoir, called The Sea of Grozny, near the capital of Chechnya.

Taking a closer look at the Veduchi holiday resort, the whole project is worth 15 billion rubles (US\$ 471 million). The ski resort, consisting of 19 ski slopes totaling 46 kilometers in length, is supposed to serve about 4,800 tourists at a time. However, low quality infrastructure poses an obstacle to effective transportation in the



mountainous areas. Roads starting in the so-called forest belt and going into the high mountains are fairly clear in the summer, but are hardly usable in the winter as only off-road and military vehicles can pass. For this reason, the construction of the resort has not been started.

In the author's own experience, the journey from Itum-Kale to Grozny takes about two hours, despite the fact that it is only 70 kilometers long. Moreover, getting to Veduchi takes nearly five hours. When starting from Shatoy and going towards Itum-Kale, the roads are barely passable as there is hardly any asphalt in use. Tourist resort projects do not budget for road construction. In negotiations with KSK, the Chechen government took on responsibility for building the infrastructure, and has had to request financial aid from the federal center to begin construction of the roads.

IMPLICATIONS: Either refusing to or simply being unwilling to foresee all the challenges involved, Kadyrov strives to bolster the tourism industry in his country. Constructing high quality infrastructure is one of the prerequisites of a successful tourism industry that needs to be solved. Kadyrov will also have to abandon the idea of protecting the monopoly of Aviakompania Grozny for air service. In comparison to other cities in the area

such as Vladikavkaz, Nazran, Nalchik, and Makhachkala, plane tickets to Grozny are the most expensive. Additionally, Kadyrov has yet to realize that if tourism is to thrive, it requires a whole range of additional services that often involve small businesses.

However, the omnipresent corruption prevents people from running small businesses as local authorities often engage in blackmail. For this reason, predominantly younger Chechens leave their homeland to work in Russian or European holiday resorts. Moreover, frustration over the uneasy situation often becomes a key motivation for joining the anti-Kadyrov opposition, which is currently only credibly represented by Islamists. In addition, limited social mobility is related to the lack of true economic development. This connection, nowadays reinforced by the dominating position of Kadyrov's clan, is often neglected. Similarly, there is a link between limited social mobility in the country and the radicalization of some groups in Chechen society.

There is not much one can achieve in Chechnya without bribery. A mere visit to the doctor requires a 5,000-ruble bribe. Because of corruption, there is no system of education. The corruption in Chechnya is so bad that a person who is interested in a real education and not just a degree is forced to study abroad. To build a tiny farm or start a small store involves so many bureaucratic obstacles and racketeering by Kadyrov's militia that there is no realistic expectation of making a profit for those outside of Kadyrov's clan. More often

than not, those who disobey face tragic consequences. Extortion techniques involve arson, torture and even the death of the defiant individual.

Due to the existing levels of fear and tension, there is no way Chechnya can become a popular tourist destination. Since tourism is a luxury regular Chechens cannot afford, relying on local customers will not work. Additionally, the remaining nations of the Russian Federation, including the Russian majority, are used to Western and Mediterranean standards and are biased against Chechens. Outside of the Russian Federation, conventional and wealthy tourists do not tend to visit Chechnya. On the contrary, visitors to Chechnya are mostly adventurers.

CONCLUSIONS: In terms of security, Chechnya's situation is no more risky than that of Dagestan or Ingushetia. However, Chechnya's reputation constitutes an obstacle to

economic and social development. Kadyrov's political practices, his preference for monopolies, the suppression of ownership and entrepreneurial freedom, and the pandemic level of corruption are not making things better. Unless certain sectors of the economy are demonopolized and small and medium-sized businesses are granted more favorable conditions for growth, chances are slim that Chechnya will ever become an attractive tourist destination. Grandiose holiday resorts in the mountains will only serve as a way of sucking funds from the federal budget.

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GEORGIA'S FORMER PRESIDENT SAAKASHVILI MAY FACE MULTIPLE CHARGES

Archil Zhorzholiani

Criminal proceedings could be opened against Georgia's former President Mikheil Saakashvili after the end of his second presidential term and the October 27 presidential elections, Georgian Prime Minister Bidzina Ivanishvili stated on October 21.

While former Interior Minister Vano Merabishvili and Defense Minister Bacho Akhalaia are already in pre-trial detention while another former defense minister, Davit Kezerashvili, is detained in France and Tbilisi's Mayor Gigi Ugulava is on trial, questions addressed to Saakashvili are rather likely, Ivanishvili told to Imedi TV. In another interview to AFP on the same day, Ivanishvili termed Saakashvili a "political corpse" and politically insolvent. Among the cases in which Saakashvili may face legal prosecution, Ivanishvili mentioned the death of Prime Minister Zurab Zhvania in 2005.

According to the official version, concluded shortly after the incident, Zhvania and Raul Usupov, deputy governor of the Kvemo Kartli region, died of carbon monoxide poisoning caused by an improperly installed gas heater. In November 2012, after the Georgian Dream (GD) coalition came to power, the prosecutor's office renewed a probe into Zhvania's case that has been in progress since.

The issue gained new momentum in Georgian media after Zhvania's brother, GD Member of Parliament Giorgi Zhvania declared recently that

newly revealed evidence suggests that the former PM may have been assassinated by the former Georgian leadership. The Chief Prosecutor Archil Kbilashvili seemed to vindicate his claims by stating that "new evidence, new circumstances, and consequently a new version" has emerged in the ongoing investigation.

Giorgi Zhvania has questioned the official conclusions from very beginning. He insisted for years that his brother and Usupov died in another place and were then transported to the apartment where their corpses were officially found. He has claimed that former Interior Minister Merabishvili, former Deputy Prime Minister Giorgi Baramidze and former Prosecutor General Zurab Adeishvili were involved in organizing the transportation of the corpses. Although Zhvania has not charged senior government officials with killing the former PM, he claimed that they were acting on Saakashvili's orders.

In response, Saakashvili asserted that Ivanishvili has reopened the investigation for political purposes while "everyone knows what happened, it was a tragic accident." Although Zhvania was a prominent politician, his brother definitely has never been a politician, Saakashvili said. He claimed that the oligarchs, initially Badri Patarkatsishvili and later Ivanishvili, engaged Giorgi Zhvania in politics to sustain further speculations regarding Zhvania's death, in an attempt by GD

to direct peoples' attention from its unfulfilled promises to compromising evidence ahead of the presidential elections.

Ivanishvili's recent statement signals that the effort to investigate former officials will step up after the presidential elections and could well be concluded with Saakashvili's arrest. Consequently, a major topic of discussion among analysts, politicians and ordinary Georgians is to what extent the West may seek to prevent such a course of events.

On October 23, the European Parliament adopted a resolution on the EU Neighborhood Policy in support of initialing an Association Agreement (AA) with Georgia at the Eastern Partnership summit in Vilnius in late November. The resolution says that the signing of the agreement will be contingent on Georgian authorities showing "tangible progress" in the area of rule of law and democracy.

However, an early version of the resolution stipulated "the release of political prisoners including Vano Merabishvili" as an additional condition for initialing an AA with Georgia. The passed version of the document, however, excluded the phrase. GD leaders insisted that Saakashvili's United National Movement (UNM) initially managed to incorporate the phrase "political

prisoner" in the resolution through its close ties with the European People's Party (EPP), but that GD lawmakers convinced the European Parliament to remove it.

However, the former head of the Georgian mission to the EU, Salome Samadashvili, claimed that the EPP shunned the inclusion of strong wording in the resolution in order not to reduce Georgia's chances of initialing an AA at the Vilnius summit. Yet, the document clearly warns the government not to deviate from European standards of treatment regarding opposition leaders currently being in the pre-trial detention, according to Samadashvili. She also reiterated that though former Ukrainian PM Yulia Tymoshenko has never been termed a "political prisoner," her case has soured EU-Ukraine relations for two years. The same may well happen with Georgia if its government fails to consider the warning tone of the resolution, she said.

EDUCATIONAL MIGRATION FROM KAZAKHSTAN TO CHINA: A SHIFT EASTWARD?

Yelena Sadovskaya

Over the last ten years, an increasing number of students from Central Asian countries are going to China to study. Kazakhstan ranks first in this list. In the 2003/2004 academic year, only 20 Kazakhstani students obtained education in China under the state student exchange program with Republic of Kazakhstan, while after signing a bilateral agreement on cooperation in 2006, the number of students and trainees – under all kinds of programs (state, corporative and commercial where students pay for themselves), increased several times. According to China's Ministry of Education, in 2010 as many as 7,874 Kazakhstani students were getting education in China and 1,500 Chinese students in Kazakhstan.

For many young people in Kazakhstan, the major reason for such a “shift eastward” is the poor quality of national higher and secondary professional education. In many cases there is no or little correlation of the education with the labor market demands, leading to potential unemployment. Other reasons are high cost of education and living in cities as well as all-pervasive corruption.

Conversely, young people are attracted by the relatively low cost of university education in China, the growing international image of Chinese higher schools, chances to learn the Chinese language, the prospect of a prestigious occupation, and the higher salaries in Chinese

and joint ventures. Surely, the geopolitical and geo-economic rise of China itself makes education in this geographically close country more attractive. Particularly, the higher education institutions of the neighboring Xinjiang Uyghur Autonomous Region are admitting more and more students from Kazakhstan and other countries of Central Asia. In recent years, China has become actively involved in global competition for students and promotes its universities in the world market both in South-South, and South-North directions. Its active promotion of educational programs and investment into the educational sector in Kazakhstan is considered part of China's “soft power” policies in the Central Asian region.

Modern educational migration to China raises numerous questions regarding students' motivation and plans for their future: to stay in China, to come back home, or to move to another country to work, and many others. The views of Kazakhstani people on the realities and prospects of obtaining education in China were studied in a 2012 representative social survey, conducted among urban citizens by the Almaty-based BRiF Central Asia Social and Marketing Research Agency, which confirms the impressive dynamics of educational migration to China.

According to the interviews, 16 percent of the respondents have had acquaintances, friends or relatives

getting education in China at present or in the past. The survey also revealed a growing interest among Kazakhstanis both in obtaining education in China and specializing in Sinology in Kazakhstan. According to the interviews, 12 percent of the respondents are themselves willing to study in China, while 18 percent want such education for their children. 13 percent of the respondents would like to obtain a Sinology specialization in Kazakhstan, and 16 percent want their children to do so.

The regional profile shows that the desire to study in China is the highest in Almaty, Kazakhstan's former capital. Here, 27 percent of the respondents have acquaintances, friends or relatives, who study or have studied in China. 17 percent of the Almaty respondents want to study in China while 32 percent want Chinese education for their children. 27 percent of Almaty residents state that they want to specialize in Sinology in Kazakhstan and 39 percent that their children should do so.

Predictably, the share of those willing to be educated in China or specialized in Sinology is the highest among respondents aged 15-29 and among young people with complete or incomplete secondary or higher education. The national group profile shows a growing interest in Chinese education and/or specialization among Kazakh respondents, whose positive responses to these questions are 1.5-2 times higher than among

respondents of Russian or other nationality.

Such educational preferences of Kazakhstani residents coincide with China's plans to extend admission of foreign students. On June 7, 2012 during the Shanghai Cooperation Organization (SCO) Summit in Beijing, China declared its decision to deliver education to 1,500 specialists from SCO member-countries in Chinese universities over three years. Moreover, during the next 10 years, China will provide 30,000 state grants and will receive 10,000 students and tutors from its various international Confucius Institutes for education and advanced training. This goal was confirmed during the first official visit of PRC Chairman Xi Jinping to Kazakhstan in September 2013.

Taking into account the dynamics of student migration eastward through all channels ranging from governmental to private, the growing Kazakhstani interest in obtaining education in China as well as the PRC's plans to extend admission of foreign students, educational migration and academic mobility from Kazakhstan to China are likely to increase. The potential outcome may be a "brain gain" since Kazakhstan's labor market is replenished with a skilled labor force trained in China.

However there is also a risk of "brain drain" from Kazakhstan to the East, rather than to the West. Today, brain drain is manifested not only in an irrevocable intellectual emigration, but also in the transformation of temporary

educational migration into permanent residence migration to the receiving country, the PRC. Dynamically developing China can provide new openings for professional and social mobility for university graduates in the

country. Moreover, young people get married, creating channels of "matrimonial migration." In sum, the eastward emigration of Kazakhstani students is inherent with great potential as well as risks.

ASHGABAT HOSTS HIGH LEVEL OSCE INTERNATIONAL ENERGY SECURITY CONFERENCE

Tavus Rejepova

Jointly with the Organization for Security and Cooperation in Europe (OSCE) under Ukraine's chairmanship, Turkmenistan organized the high level international conference "Energy Security and Sustainable Development—the OSCE Perspective" on October 17-18, 2013, to address the issues of stable transit of energy resources, sustainable energy solutions and energy efficiency.

High level officials including the Deputy UN Secretary-General, Executive Secretary for the Economic Commission for Europe (UNECE) Sven Alkalaj, the OSCE Secretary General Lamberto Zannier, the OSCE Chairman and Minister of Foreign Affairs of Ukraine Leonid Kozhara, and Turkey's Minister of Development Cevdet Yilmaz, attended the energy security conference and reaffirmed their interest in enhancing multilateral partnerships with Turkmenistan at a meeting with President Berdimuhamedov.

Speaking at the conference opening, President Berdimuhamedov said "we are currently working with the relevant agencies of the European Union on the development of an institutional and legal framework required for the practical implementation of the project to supply natural gas from Turkmenistan to Europe." He further noted that the OSCE membership and active participation in its activities have been and remain one of the priorities of Turkmenistan's foreign policy. The president also called for intensification of talks on the supply of gas to Europe in the future and avoiding any politization of issues related to supply of energy resources. Within the framework of energy security, the "creation of new international routes of energy supplies at regional and continental levels acquires special urgency today," said Berdimuhamedov. The Deputy Chairman, Minister of Foreign Affairs Rashid Meredov, laid out Turkmenistan's position on energy security and sustainable development

and stressed the importance of establishing an effective mechanism of cooperation on energy issues among the OSCE participating states and the Partners for Cooperation. Particularly, Meredov noted that the OSCE will be underperforming its potential unless it starts raising the importance of the energy security and the impact of energy-related activity on the environment.

Meredov stated that Turkmenistan's proposal on energy security and stable transit of energy resources is rooted in three major principles, proposed during the 68th session of the General Assembly of the United Nations in September 2013. The first principle includes the adoption of a multilateral UN document forming the legal basis for relations emerging in the sphere of international supplies of energy resources. The second principle calls for the creation of a UN agency that will enforce the implementation of the provisions of this document. Third, the proposal also recommends establishing a database designed for the collection and analysis of data on the implementation of international obligations assumed by the state members.

The participants of the conference also highlighted a need for legally binding agreements that would help protect the transportation infrastructure of energy resources within the framework of energy security. The Ukrainian Foreign Minister and OSCE Chairperson-in-office said developing energy security and sustainability is essential for stability and economic development in the region. Also, numerous meetings

were held alongside the conference including the four-side meeting of the delegates of Ukraine, Turkey, Azerbaijan and Turkmenistan.

Turkmenistan's initiative to host the OSCE energy security and sustainable development conference also draws upon the outcome of the previous energy security conference held in Ashgabat on April 23, 2009, and also a UN resolution on Reliable and Stable Transit of Energy and its Role in Ensuring Sustainable Development and International Cooperation from May 17, 2013. As per this resolution, the UN welcomes the proposal of Turkmenistan's government to host an international meeting of energy experts early in 2014. Concluding the high-level two-day conference, a joint statement was released stressing the importance of providing an international legal framework for stable transit of energy resources and recognizing the need to arrange a meeting of international experts in early 2014 in Ashgabat. It was also noted that this energy security conference served as a good prelude to the upcoming December 5-6 meeting of the Council of Foreign Ministers (CFM) of the OSCE in Kiev, Ukraine. Seeking international support for protecting the interests of countries exporting, transiting and importing energy resources serves Turkmenistan's plans to diversify its gas supply routes. Currently Turkmenistan exports gas to China, Russia and Iran and is in the process of forming a consortium to lead the construction of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline.

AZERBAIJAN AZERBAIJAN AND ARMENIA STOCKPILE NEW WEAPONS

Bakhtiyar Aslanov

Since the 1994 cease-fire agreement between Azerbaijan and Armenia, negotiations between the parties have been overseen by the OSCE Minsk Group without any particular success towards peaceful solution. After the deadlock in peace negotiations over the Nagorno-Karabakh conflict in 2011, Azerbaijan and Armenia both accelerated their stockpiling of arms and intensified their public rhetoric of preparing for a new war.

On February 26, 2012, Israeli officials confirmed that Israel Aerospace Industries and Azerbaijan signed a deal in September 2011 to sell 60 drones, missile defense systems and anti-aircraft systems to Azerbaijan at a value of US\$ 1.6 billion. According to *The Economist*, Azerbaijan increased its defense budget by US\$ 3.7 billion in 2013 as oil revenues increased.

According to a report by APA, Azerbaijan's state budget is 6.4 percent higher in 2014 than in 2013, and its defense budget will be increased by 48 million AZN (US\$ 61 million). It is argued that Azerbaijan's military budget exceeds Armenia's entire state budget by US\$ 1 billion. In June 2013, the delivery of US\$ 1 billion worth of weapons fulfilled the last part of a deal worth a total of US\$ 3-4 billion between Russia and Azerbaijan. Additionally, Azerbaijani officials noted that Baku procured another US\$ 3 billion worth of weapons and arms, including naval

vessels and submarines from South Korea.

The same year, Armenia increased its defense budget by 25 percent to US\$ 450 million. Russia provided significant discounts in its arms sales to Armenia, while the Collective Security Treaty Organization allows Russia to control several sophisticated systems in the country. Officials in Yerevan claim that weapons are procured to prevent an unexpected attack from Azerbaijan. Prime Minister Tigran Sargsyan emphasized during his visit to a unit in Nagorno-Karabakh in September 2013, "over the past three years, we have acquired as many weapons as we did in the previous twenty." *Qraparak* newspaper reported on September 25, 2013, that Armenia has signed a contract with Moscow to buy military equipment, weapons and ammunition at low prices in Russia.

Commenting on Moscow's plans to increase its military presence in the Gyumri base in Armenia, the press secretary of Armenia's Ministry of Defense, Artsrun Hovhannisyan, claimed on September 23, 2013, that the Russian soldiers arriving in Armenia and their family members will amount to approximately 2,500-3,000 people.

In a comment to *Armenian News* about Baku's request to buy 18 self-propelled artillery units from Russia, Russian political scientist Alexander Khramchikhin argued that

“Azerbaijan is acquiring arms of every type so as to take back Nagorno-Karabakh. This country does not pursue any other objective.” Sergey Minasyan, the Deputy Director of Caucasus Institute, stated that Armenia’s membership in the Customs Union “will further help reduce the likelihood of hostilities by Azerbaijan.” He added that Moscow would take on an increased responsibility for guaranteeing the security of Armenia and Nagorno-Karabakh in case of any unexpected circumstance.

At the 68th session of the UN General Assembly, Armenia's Foreign Minister Edward Nalbandian emphasized that Baku’s stockpiling of offensive weapons threatens regional as well as international security. In his speech, Azerbaijan's Foreign Minister Elmar Mamedyarov responded that Armenia's invasive policy “has no chance for success.” He added that Nagorno-Karabakh has been, is and will be an integral territory of Azerbaijan.

Armenia's and Azerbaijan's increase of militaristic rhetoric and revelations of weapons procurements to the media in recent years are part of a tendency on both sides to demonstrate strength and convince opposite side that they are

ready for war, since negotiations will not have successful results. While renewing its military arsenal, Azerbaijan also seeks to attract the attention of the mediators and other powerful actors to the conflict in order to accelerate the negotiation process and force Armenia to possible concessions. Conversely, Armenia seeks to maintain the status quo and guarantee its security through assistance and support from Moscow. Simultaneously, both sides maintain in diplomatic rhetoric that they seek a peaceful solution to the conflict.

Officials in Moscow argue that Russia guarantees security in the region and preserves the military balance by providing both sides with weaponry. Through its military partnership with Armenia and its close relations in different spheres with Azerbaijan, Russia seeks to satisfy Baku and Yerevan simultaneously by selling them large amounts of military equipment, while it is securing its position as the key mediator in the conflict and thereby increasing its geopolitical clout in the South Caucasus.